

Message Text

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14

ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 INRE-00 NEA-10 IO-12 CEA-02 L-03

H-02 PA-03 USIA-12 PRS-01 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CIAE-00 COME-00

FRB-02 INR-09 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

TAR-02 RSR-01 /165 W

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P 290817 Z MAR 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 4091

INFO AMEMBASSY JAKARTA PRIORITY

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USADB

FOR NAC AGENCIES

E. O. 11652: ADS, DECLAS 6-29-73

TAGS: EAID, EFIN, ID

SUBJ: PROPOSED ADB LOAN FOR IRIAN JAYA (WEST IRIAN)

POWER PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES \$2.6 MILLION EQUIVALENT LOAN FROM SPECIAL FUNDS TO INDONESIA TO FINANCE FOREX COSTS OF REHABILITATING AND EXPANDING ELECTRICITY GENERATION AND DISTRIBUTION IN IRIAN JAYA (WEST IRIAN) TOWNS OF BIAK AND JAYAPURA. USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R27-73 DTD 13 MARCH WITH ATTACHMENTS DESCRIBING PROPOSED LOAN POUCHED ADDRESSEES MARCH 13. BOARD CONSIDERATION LIKELY TUESDAY 3 APRIL.

2. ADB MANAGEMENT PROPOSING \$2.6 MILLION EQUIVALENT LOAN
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FROM ORDINARY RESOURCES TO REPUBLIC OF INDONESIA. PROCEEDS WILL FINANCE FOREX COST OF TWO 2000 KW DIESEL GENERATOR SETS FOR PIONEER STATION IN JAYAPURA; NEW BIAK POWER STATION WITH TWO 1000 KW DIESEL GENERATING SETS; DISTRIBUTION SYSTEM REHABILITATION AND EXTENSION IN BOTH TOWNS; TOOLS, TESTING EQUIPMENT AND VEHICLES TO IMPROVE OPERATION AND MAINTENANCE OF BOTH ELECTRIC POWER SYSTEMS; AND CONSULTING SERVICES. BOTH CITIES IN IRIAN JAYA (FORMERLY WEST IRIAN) . PROPOSED TERMS ARE 25 YEAR AMORTIZATION INCLUDING 7 YEAR GRACE PERIOD, 2 AND ONE HALF PERCENT INTEREST. REPUBLIC OF INDONESIA TO BE BORROWER, PERUSAHAAN UMUM LISTRIK NEGARA (PLN), THE STATE ELECTRICITY ENTERPRISE, THE EXECUTING AGENCY. PROCEEDS TO BE RELENT TO PLN AT 12 PERCENT WITH 15 YEAR AMORTIZATION INCLUDING 5 YEAR GRACE. GOVERNMENT OF INDONESIA (GOI) TO FINANCE THE \$1.7 MILLION LOCAL COSTS.

3. PROPOSED PROJECT OUTGROWTH OF ADB \$85,000 TA GRANT APPROVED 27 MAY 1971 FOR STUDY WEST IRIAN ELECTRICITY SERVICES REHABILITATION AND DEVELOPMENT, WITH EMPHASIS ON ITS TWO MOST IMPORTANT TOWNS, BIAK AND JAYAPURA. PROJECT BASED IN GENERAL ON REPORT OF CONSULTANTS (TATA CONSULTING ENGINEERS, INDIA) EXCEPT FOR RECOMMENDED LAKE SENTANI HYDROPOWER GENERATION NEAR JAYAPURA, WHICH ADB' S APPRAISAL MISSION FOUND ECONOMICALLY AND TECHNICALLY FEASIBLE, BUT FOR WHICH WERE NEEDED MORE HYDROLOGICAL DATA FOR TURBINE SIZE AND NUMBER, AND FIRMER COST ESTIMATES.

4. IRIAN JAYA, WESTERN END OF NEW GUINEA, IS INDONESIA' S EASTERNMOST PROVINCE. THINLY POPULATED, AVERAGING 2 PERSONS/ SQ KM, BUT WITH HALF ITS 923,000 PEOPLE LIVING ON COAST, OF WHICH 46,000 LIVE IN PROVINCIAL CAPITAL JAYAPURA NEAR PAPUA NEW GUINEA BORDER AND 23614, IN OFFSHORE BIAK, SECOND LARGEST TOWN AND AIR AND SEA COMMUNICATION CENTER; WITH CURRENT ANNUAL GROWTH RATES OF 20 AND 17 PERCENT RESPECTIVELY, POPULATION WILL REACH 100,000 AND 60,000 RESPECTIVELY IN 1978.

5. THE TWO TOWNS ACCOUNT FOR OVER HALF POWER GENERATED AND SOLD BY EXPLOITASI XV, PLN' S OPERATING ORGANIZATION FOR IRIAN JAYA. SUPPLY IN BOTH TOWNS CURRENTLY INADEQUATE, WITH MAXIMUM AVAILABLE CAPACITIES OF ONLY 2150 AND 1250 KW RESPECTIVELY. TWO 2000 KW SETS FOR JAYAPURA, TO BE COMMISSIONED LIMITED OFFICIAL USE

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BY END 1974 AND MID-1975, SHOULD SATISFY DEMAND TO END-1978,

BY WHICH TIME FIRST OF ANTICIPATED SENTANI HYDROPOWER UNITS SHOULD BE COMMISSIONED. TWO 1000 KW UNITS FOR BIAK NEEDED AS SOON AS POSSIBLE AND WILL SATISFY DEMAND UNTIL 1979. SERVICE CONNECTIONS WILL BE MADE TO 2850 NEW CUSTOMERS. SPARE PARTS FOR REHABILITATING EXISTING STORK GENERATORS NOT IN LOAN; BEING FINANCED BY FUNDWI (UN FUND FOR DEVELOPMENT OF WEST IRIAN).

6. CONSULTANTS TO BE ENGAGED BY PLN FROM ELIGIBLE COUNTRIES IN ACCORD WITH ADB' S USES OF CONSULTANTS TO PREPARE DETAILED DESIGNS AND TENDER DOCUMENTS, SUPERVISE TENDERING PROCEDURE, ASSIST PLN IN BID EVALUATION AND CONTRACT NEGOTIATIONS, SUPERVISE CONSTRUCTION AND COMMISSIONING, COLLECT ADDITIONAL DATA ON AND PREPARE ENGINEERING STUDY OF SENTANI HYDROPOWER SCHEME. CONSULTANTS ALSO TO PROVIDE MAINTENANCE ENGINEER FOR TWO YEARS TO BE IN CHARGE OF MAINTENANCE IN EXPLOITASI XV AND OF TRAINING OF LOCAL STAFF TO OPERATE AND MAINTAIN POWER STATIONS. PROCUREMENT TO BE IN ACCORD WITH ADB' S GUIDELINES FOR PROCUREMENT FROM COUNTRIES WITH AVAILABLE SPECIAL FUNDS RESOURCES, WITH INTERNATIONAL COMPETITIVE BIDDING FOR PROCUREMENT CONTRACTS \$50,000 AND OVER. DIESEL SETS TO BE INSTALLED BY SUPPLIER, WORKING WITH PLN STAFF. INDONESIAN CONTRACTORS TO DO ALL CIVIL ENGINEERING WORKS. EXPLOITASI XV STAFF TO CONSTRUCT 6.3 KV DISTRIBUTION LINES, TRANSFORMER STATIONS, LOW VOLTAGE LINES, AND CONNECTION SERVICES.

7. EXISTING PLN TARIFF STRUCTURES INADEQUATE FOR COUNTRY AS WHOLE, AND IDA- FINANCED CONSULTANTS ARE HELPING DEVISE MORE RATIONAL STRUCTURE, AND AN OVERALL TARIFF INCREASE. BANK ASSURED THAT PLN WILL CONSULT BANK ON CHANGES IN TARIFF POLICIES OR RATES, IMPLEMENT APPROPRIATE TARIFFS IN 1973, AND PERIODICALLY REVIEW TARIFF RATES WITH BANK BEGINNING 1974. BANK ALSO TO HAVE OPPORTUNITY TO COMMENT ON FURTHER RECOMMENDATIONS (PLN ORGANIZATION AND MANAGEMENT, DIESEL MAINTENANCE, AND CUSTOMER VOLTAGE CONVERSION) BY IDA CONSULTANTS BEFORE THEY ARE IMPLEMENTED. BANK ALSO ASSURED STUDIES WILL BE MADE TO GUIDE GOI IN SETTING APPROPRIATE FUTURE FUEL PRICES FOR PLN.

8. USADB BELIEVES PROPOSED PROJECT SOUND AND USEFUL TO IRIAN JAYA' S DEVELOPMENT. PROJECT ECONOMIC AND FINANCIAL RATE OF LIMITED OFFICIAL USE

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RETURN ESTIMATED AT 31 PERCENT. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

9. REQUEST DJAKARTA COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.

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*** Current Classification *** LIMITED OFFICIAL USE

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